Supreme Court, U.S.
FILED
APR 11 2005
OFFICE OF THE CLERK

No. 04-1156

IN THE

Supreme Court of the United States

CITIZENS FINANCIAL GROUP, INC.,

Petitioner,

v.

CITIZENS NATIONAL BANK OF EVANS CITY and CITIZENS, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

PETITIONER'S REPLY BRIEF

JOHN TOWNSEND RICH
MATTHEW M. HOFFMAN
CHRISTOPHER P. NIERMAN
GOODWIN PROCTER LLP
901 New York Ave., N.W.
Washington, DC 20001
(202) 346-4000

PAUL F. WARE, JR., P.C.
(Counsel of record)
R. DAVID HOSP
JAREN D. WILCOXSON
MARK S. PUZELLA
GOODWIN PROCTER LLP
Exchange Place
53 State Street
Boston, MA 02109-2881
(617) 570-1000

Counsel for Petitioner

April 11, 2005

TABLE OF CONTENTS

Page

I. The Third Circuit's Irreparable Injury *Per Se* Rule Is Contrary to the Law in Other Circuits and the Plain Language of the Lanham Act. 1

II. The Third Circuit Erred By Requiring the District Court To Enter an Absolute Injunction, Rather Than Allowing the District Court To Exercise Its Equitable Discretion. 7

III. The Riegle-Neal Act and the History of Federal and State Banking Regulations Highlight the Importance to the Banking Industry of a Correct Construction of the Lanham Act. 9

CONCLUSION 10

TABLE OF AUTHORITIES

CASES:

Abbott Labs. v. *Mead Johnson & Co.*, 971 F.2d 6 (7th Cir. 1992) 3

AM Gen. Corp. v. *DaimlerChrysler Corp.*, 311 F.3d 796 (7th Cir. 2002) 3

American Italian Pasta Co. v. *New World Pasta Co.*, 371 F.3d 387 (8th Cir. 2004) 6

Amoco Prod. Co. v. *Village of Gambell*, 480 U.S. 531 (1987) 4

AT&T v. *Winback & Conserve Program, Inc.*, 42 F.3d 1421 (3d Cir. 1994) 5, 6, 8

Bell & Howell Document Mgmt. Prods. Co. v. *Altek Sys.*, 132 F.3d 701 (Fed. Cir. 1997) 8

Cashmere & Camel Hair Mfrs. Inst. v. *Saks Fifth Ave.*, 284 F.3d 302 (1st Cir. 2002) 6

Citibank, N.A. v. *Citytrust*, 756 F.2d 273 (2d Cir. 1985) 2

Doran v. *Salem Inn, Inc.*, 422 U.S. 922 (1975) 4

TABLE OF AUTHORITIES–Continued

Page

Eli Lilly & Co. v. *Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000) 3

Gucci Am., Inc. v. *Daffy's, Inc.*, 354 F.3d 228 (3d Cir. 2003) 4, 8

Hickson Corp. v. *Northern Crossarm Co.*,357 F.3d 1256 (11th Cir. 2004) 6

IQ Prods. Co. v. *Pennzoil Prods. Co.*, 305 F.3d 368 (5th Cir. 2002) 6

International Kennel Club of Chicago, Inc. v. *Mighty Star, Inc.*, 846 F.2d 1079 (7th Cir. 1988) 2

Jarrow Formulas, Inc. v. *Nutrition Now, Inc.*, 304 F.3d 829 (9th Cir. 2002) 6

Lone Star Steakhouse & Saloon, Inc. v. *Alpha of Virginia., Inc.*, 43 F.3d 922 (4th Cir. 1995) 3, 4, 9

Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397 (8th Cir. 1987) 6

New Kayak Pool Corp. v. *R & P Pools, Inc.*, 246 F.3d 183 (2d Cir. 2001) 8

Ortho Pharm. Corp. v. *Cosprophar, Inc.*, 32 F.3d 690 (2d Cir. 1994) 6

Payless Shoesource, Inc. v. *Reebok Int'l, Ltd.*, 998 F.2d 985 (Fed. Cir. 1993) 8

Pizzeria Uno Corp. v. *Temple*, 747 F.2d 1522 (4th Cir. 1984) 2

Processed Plastic Co. v. *Warner Communications, Inc.*, 675 F.2d 852 (7th Cir. 1982) 2

S & R Corp. v. *Jiffy Lube, Int'l, Inc.*, 968 F.2d 371 (3d. Cir. 1992) 4

Tough Traveler, Ltd. v. *Outbound Prods.*, 60 F.3d 964 (2d Cir. 1995) 2

Warner-Lambert Co. v. *BreathAsure, Inc.*, 204 F.3d 87 (3d Cir. 2000) 6

Weinberger v. *Romero-Barcelo*, 456 U.S. 305 (1982) 4

Wynn Oil Co. v. *American Way Serv. Corp.*, 943 F.2d 595 (6th Cir. 1991) 3

TABLE OF AUTHORITIES–Continued

Page

Yale Elec. Corp. v. *Robertson*, 26 F.2d 972 (2d Cir. 1928) 2

STATUTES:

Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, Pub. L. No. 103-328, 108 Stat. 2338 9–10

Trademark Act of 1946 (Lanham Act):

§ 43(a), 15 U.S.C. § 1125(a) 4, 5, 6

§ 43(a)(1), 15 U.S.C. § 1125(a)(1) 5

§ 43(a)(1)(A), 15 U.S.C. § 1125(a)(1)(A) 5

§ 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B) 5

OTHER AUTHORITIES:

4 McCarthy, J. Thomas, McCarthy on Trademarks and Unfair Competition (4th ed. 2005)

§ 27:9–10 5

§ 27:13 ..... 5, 6

§ 27:24 6

5 McCarthy, J. Thomas, McCarthy on Trademarks and Unfair Competition § 30:2 (4th ed. 2005) 3, 6

IN THE

Supreme Court of the United States

No. 04-1156

CITIZENS FINANCIAL GROUP, INC.,

Petitioner,

v.

CITIZENS NATIONAL BANK OF EVANS CITY and CITIZENS, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

PETITIONER'S REPLY BRIEF

Petitioner Citizens Financial Group, Inc. ("CFG") respectfully submits this Reply Brief in further support of its Petition for a Writ of Certiorari and in response to the Opposition Brief filed by respondents Citizens National Bank of Evans City and Citizens, Inc. ("CNBEC").

I. The Third Circuit's Irreparable Injury *Per Se* Rule Is Contrary to the Law in Other Circuits and the Plain Language of the Lanham Act.

CNBEC concedes—as it must—that the Third Circuit has adopted a *per se* rule under which a finding of trademark infringement is *always* irreparable injury for purposes of awarding injunctive relief. But CNBEC does not cite a single case in which any other circuit has adopted this extreme view of the law.

CFG does not quarrel with the proposition that trademark infringement *usually* results in irreparable injury. That is why nearly every court to address the issue (including at least the Second, Seventh, Eighth, Ninth and Tenth Circuits) has held that a showing of trade-

mark infringement normally gives rise to a *presumption* of irreparable injury.[1] But as we showed in our Petition, a presumption is very different from a *per se* rule. A presumption is rebuttable; a *per se* rule is not.

The Third Circuit's *per se* rule is plainly at odds with the presumption rule applied by other circuits, and CNBEC's arguments to the contrary lack any merit.

1. As evidence of the current state of trademark law in other circuits, CNBEC cites *Yale Electric Corp.* v. *Robertson*, 26 F.2d 972 (2d Cir. 1928)—a decision that predates the Lanham Act by 18 years. *Yale Electric* does not say that trademark infringement always amounts to irreparable injury as a matter of law; it simply holds that "a merchant *may* have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court," because such use may damage the trademark owner's reputation. *Id.* at 974 (emphasis added). More recent Second Circuit decisions, however, have adopted the "presumption" rule discussed in the Petition.[2]

CNBEC also cites *Processed Plastic Co.* v. *Warner Communications, Inc.*, 675 F.2d 852 (7th Cir. 1982), and *International Kennel Club of Chicago, Inc.* v. *Mighty Star, Inc.*, 846 F.2d 1079 (7th Cir. 1988). In both those cases, the Seventh Circuit affirmed the grant of a preliminary injunction, holding that the plaintiff's showing of trademark infringement was sufficient to establish irreparable injury. The court did not, however, hold that trademark infringement *always* amounts to irreparable injury. In more recent cases, the Seventh Circuit, in line with other circuits, has described this rule as a "presumption" of irreparable in-

---

[1] *See* cases cited in the Petition at 13 n.7.

[2] *See, e.g., Tough Traveler, Ltd.* v. *Outbound Prods.*, 60 F.3d 964, 967–68 (2d Cir. 1995) (holding that "there is normally a presumption of irreparable harm," which may be "inoperative" under certain circumstances); *Citibank, N.A.* v. *Citytrust*, 756 F.2d 273, 276 (2d Cir. 1985) (same).

jury.[3] Moreover, it has recognized that this presumption is rebuttable. *See Abbott Labs.* v. *Mead Johnson & Co.*, 971 F.2d 6, 18 (7th Cir. 1992).

Finally, CNBEC cites *Lone Star Steakhouse & Saloon, Inc.* v. *Alpha of Virginia, Inc.*, 43 F.3d 922 (4th Cir. 1995), and *Wynn Oil Co.* v. *American Way Service Corp.*, 943 F.2d 595 (6th Cir. 1991). These cases simply say that a finding of irreparable injury "ordinarily follows" from a showing of infringement.[4] This is quite different from a statement that infringement always amounts to irreparable injury as a matter of law. Rather, it is just another way of stating the presumption rule. Indeed, in *Lone Star*, the Fourth Circuit expressly characterized the rule as a "presumption," though it reserved judgment as to whether the presumption could arise solely from a finding of infringement. 43 F.3d at 939.[5]

In short, CNBEC has not shown that any other circuit adheres to the Third Circuit's *per se* rule.[6]

2. CNBEC argues (at 10–11) that most courts have applied the "presumption" rule in the context of preliminary, rather than permanent, injunctions. This argument is a red herring. As this Court has recognized, "[t]he standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of

---

[3] *See, e.g., AM Gen. Corp.* v. *DaimlerChrysler Corp.*, 311 F.3d 796, 805 (7th Cir. 2002); *Eli Lilly & Co.* v. *Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) (irreparable harm "generally presumed" in trademark infringement cases).

[4] *Lone Star*, 43 F.3d at 938; *Wynn Oil*, 943 F.2d at 608.

[5] CNBEC also (at 15) cites § 30:2 of Professor McCarthy's treatise. *See* 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 30:2 (4th ed. 2005). As discussed *infra* in Part I.5, this section simply indicates that a trademark plaintiff need not show actual damages to obtain an injunction.

[6] As noted in the Petition (at 16 n.13), it is unclear whether the First Circuit has also adopted the *per se* rule.

success on the merits rather than actual success." *Amoco Prod. Co.* v. *Village of Gambell*, 480 U.S. 531, 546, n.12 (1987). A showing of irreparable injury is required before any kind of injunctive relief—preliminary or permanent—may be granted.[7]

The Third Circuit has not distinguished between preliminary and permanent injunctions in applying its "irreparable injury as a matter of law" rule. *Compare Gucci Am., Inc.* v. *Daffy's, Inc.*, 354 F.3d 228, 236-37 (3d Cir. 2003) (permanent injunction), *with S & R Corp.* v. *Jiffy Lube, Int'l, Inc.*, 968 F.2d 371, 374 (3d. Cir. 1992) (preliminary injunction). Nor have other courts. *Lone Star*, for example, involved a permanent injunction, and as noted above, the Fourth Circuit in that case described the prevailing rule as a "presumption." 43 F.3d at 939. CNBEC has no basis for arguing that any circuit that has recognized the presumption rule in the preliminary injunction context would not apply the same rule in the permanent injunction context.

In any case, even if other circuits would apply different standards for preliminary and permanent injunctions, there would *still* be a conflict among the circuits. In the Third Circuit, a plaintiff seeking a preliminary injunction who establishes a likelihood of success on the merits of an infringement claim establishes irreparable injury as a matter of law. *See S & R Corp.*, 968 F.2d at 378. By contrast, plaintiffs in other circuits who establish a likelihood of success are only entitled to a rebuttable presumption of irreparable injury. This is a clear conflict which this Court should resolve.

3. CNBEC next suggests (at 12) that the requirement that a § 43(a) plaintiff show that it "is or is likely

---

[7] *See, e.g., Weinberger* v. *Romero-Barcelo*, 456 U.S. 305, 312 (1982) (holding, in context of request for permanent injunction, that "the basis for injunctive relief in the federal courts has always been irreparable injury and the inadequacy of legal remedies"); *Doran* v. *Salem Inn, Inc.*, 422 U.S. 922, 931 (1975) (traditional standard for preliminary injunction requires plaintiff to show irreparable injury).

to be damaged" by the defendant's acts applies only in false advertising cases, not trademark infringement cases. The plain language of the statute refutes this claim. Section 43(a)(1) sets forth requirements for two different types of unfair competition claims. Trademark infringement claims are described in subparagraph (A), while false advertising claims are described in subparagraph (B). The "is or is likely to be damaged" language, which appears at the end, clearly applies to both subparagraphs. *See* 15 U.S.C. § 1125(a)(1).[8]

Courts (including the Third Circuit) have construed the "is or is likely to be damaged" language as applying in trademark infringement cases.[9] And contrary to CNBEC's assertion, that is also how the statute has been read by Professor McCarthy. CNBEC mistakenly states that § 27:13 of Professor McCarthy's treatise, which is cited in the Petition, addresses false advertising claims. In fact, this section sets forth "[t]he elements of a prima facie case for an injunction *under the trademark prong* of § 43(a)." 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27:13 (4th ed. 2005) (emphasis added). And it clearly describes the requirement that "plaintiff has been or is likely to be damaged" as one of the necessary elements a plaintiff must prove. *Id.*

4. In a related point, CNBEC argues (at 12–13) that the "is or is likely to be damaged" language is a standing requirement, not an element of a plaintiff's cause of action. CNBEC cites no authority which supports this proposition. In fact, the vast majority of courts con-

---

[8] Prior to 1989, § 43(a) did not distinguish between trademark infringement and false advertising. Both types of claims were deemed to arise out of the same language. *See* 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §§ 27:9–10 (4th ed. 2005). Thus the "is or is likely to be damaged" language necessarily applied to both types of claims.

[9] *See AT&T* v. *Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1428 (3d Cir. 1994).

struing § 43(a) have held that the "has been or is likely to be damaged" requirement is an element of the plaintiff's case.[10] And as noted above, Professor McCarthy clearly identifies the requirement that a plaintiff show that it "has been or is likely to be damaged" (or "injured") as an element of a *prima facie* case for both trademark infringement and false advertising claims. McCarthy, *supra*, §§ 27:13, 27:24.

5. CNBEC next (at 13) cites *Mutual of Omaha Insurance Co.* v. *Novak*, 836 F.2d 397 (8th Cir. 1987), and § 30:10 of Professor McCarthy's treatise for the unexceptional proposition that a plaintiff need not show actual damages in order to obtain injunctive relief. CFG does not quarrel with this proposition. The plain language of the statute provides that a plaintiff may either show that it has been damaged (*i.e.*, suffered actual damage) *or* that it is likely to be damaged in the future. In other words, a plaintiff need not show actual damage, but a plaintiff who does not show actual damage must show a likelihood of future damage in order to obtain injunctive relief. (Here, of course, the jury found no actual damage, and the District Court found neither actual damage nor a likelihood of future damage. App. 10a, 48a.)

---

[10] *See, e.g.*, *AT&T*, 42 F.3d at 1428; *American Italian Pasta Co.* v. *New World Pasta Co.*, 371 F.3d 387, 390 (8th Cir. 2004); *Hickson Corp.* v. *Northern Crossarm Co.*, 357 F.3d 1256, 1260 (11th Cir. 2004); *IQ Prods. Co.* v. *Pennzoil Prods. Co.*, 305 F.3d 368, 375 (5th Cir. 2002); *Jarrow Formulas, Inc.* v. *Nutrition Now, Inc.*, 304 F.3d 829, 835 n.3 (9th Cir. 2002); *Cashmere & Camel Hair Mfrs. Inst.* v. *Saks Fifth Ave.*, 284 F.3d 302, 310–11 (1st Cir. 2002). To be sure, the Second Circuit has sometimes described the "actual or likely damage" requirement as a matter of standing, *see, e.g.*, *Ortho Pharm. Corp.* v. *Cosprophar, Inc.*, 32 F.3d 690, 694 (2d Cir. 1994), while the Third Circuit has held that it is both a standing matter and an "element of the substantive offense," *see, e.g.*, *Warner-Lambert Co.* v. *BreathAsure, Inc.*, 204 F.3d 87, 93 (3d Cir. 2000). To the extent that there is confusion among the lower courts on this point, it is simply one more reason for this Court to intervene and clarify the proper interpretation of § 43(a).

As explained in the Petition, the rule advocated by CNBEC and adopted by the Third Circuit here effectively reads the "is or is likely to be damaged" requirement out of the statute for trademark infringement claims. If infringement amounts to irreparable injury in every case as a matter of law, then a trademark owner would always, *a fortiori*, demonstrate a likelihood of damage simply by showing infringement. Under ordinary principles of statutory interpretation, this construction must be rejected.

II. The Third Circuit Erred By Requiring the District Court To Enter an Absolute Injunction, Rather Than Allowing the District Court To Exercise Its Equitable Discretion.

CNBEC largely ignores the cases and authorities cited in Part II of the Petition. Instead, CNBEC argues that the Third Circuit has not adopted a mandatory rule requiring a district court to issue an injunction upon finding trademark infringement. But that is exactly what the Third Circuit did here. It held that CNBEC was "entitled" to an injunction and directed the District Court to "enter an order permanently enjoining CFG from offering or advertising retail banking services under the mark 'Citizens Bank' in Butler County." 383 F.3d at 131, 134, App. 35a, 40a.

To be sure, the Third Circuit purported to apply an abuse-of-discretion standard of review. 383 F.3d at 131, App. 36a. But the undeniable effect of its ruling was to strip the District Court of discretion to decide whether to issue an injunction or to decide the basic form an injunction should take (*i.e.*, whether CFG should be barred from using its mark or whether a less restrictive form of injunction, such as a mandatory disclaimer, would suffice). If the Third Circuit had actually been applying an abuse-of-discretion standard, the proper remedy would have been to vacate the District

Court's decision and remand with instructions to reconsider the issue of injunctive relief.[11]

CNBEC points to *Gucci* as evidence that the Third Circuit does not require issuance of an absolute injunction in cases of trademark infringement. But as CNBEC acknowledges (at 18 n.9), the facts of *Gucci* are quite different from this case. In *Gucci*, the defendant sold counterfeit goods, but then voluntarily withdrew those goods from its stores and instituted policies to prevent future infringement. The Third Circuit held that, under those circumstances, the district court did not abuse its discretion in declining to award injunctive relief. 354 F.3d at 238–39.

As CNBEC notes, CFG argued in its rehearing petition to the Third Circuit that the decision in this case was inconsistent with *Gucci*.[12] The Third Circuit, however, rejected that argument when it denied rehearing and rehearing en banc. Thus, it appears that the Third Circuit has limited the application of *Gucci* to the specific facts of that case. In any event, the Third Circuit's ruling makes it clear that in the circumstances of *this* case, where the defendant desires to continue using its mark, a district court is required to issue an absolute injunction barring the defendant from all use of its mark within the plaintiff's market area, and cannot even consider a less restrictive alternative. As we showed in our petition, this rule is inconsistent with the plain language of the Lanham Act and numerous decisions from this Court and other circuits.

---

[11] *See, e.g., New Kayak Pool Corp.* v. *R & P Pools, Inc.*, 246 F.3d 183, 185–86 (2d Cir. 2001); *Bell & Howell Document Mgmt. Prods. Co.* v. *Altek Sys.*, 132 F.3d 701, 708–09 (Fed. Cir. 1997); *AT&T*, 42 F.3d at 1443; *Payless Shoesource, Inc.* v. *Reebok Int'l, Ltd.*, 998 F.2d 985, 991 (Fed. Cir. 1993).

[12] Notably, Judge Rosenn, the author of the decision in this case, dissented in *Gucci*, arguing that the Third Circuit should have directed the entry of an injunction. *See* 354 F.3d at 247–49 (Rosenn, J., dissenting).

CNBEC (at 21) cites three cases and various treatises that supposedly support the Third Circuit's decision. None of these authorities, however, suggests that a trademark plaintiff is "entitled" to injunctive relief. *Lone Star*, for example, simply says that injunctive relief is "almost routinely" granted in trademark infringement cases. 43 F.3d at 939 (citation omitted). "Almost routinely," however, is not the same as "always"; this formulation recognizes that the issue of injunctive relief is committed to the district court's discretion. And in *Pizzeria Uno Corp.* v. *Temple*, 747 F.2d 1522 (4th Cir. 1984), the court actually affirmed a denial of injunctive relief, even though it found that the district court had erred in finding no likelihood of confusion. *Id.* at 1536. The other authorities that CNBEC cites simply say that some form of injunction is usually granted in trademark infringement cases. CNBEC has cited no authority that suggests a district court is *required* to issue an absolute injunction against a defendant's use of its mark upon finding infringement, which is what the Third Circuit plainly held in this case.

III. The Riegle-Neal Act and the History of Federal and State Banking Regulations Highlight the Importance to the Banking Industry of a Correct Construction of the Lanham Act.

CNBEC misconstrues CFG's argument concerning the Riegle-Neal Act. CFG does not contend that the Third Circuit's construction of the Lanham Act is inconsistent with the Riegle-Neal Act, or even that the two statutes must be read in conjunction with one another. Rather, CFG contends that this Court must consider the history of regulation in the banking industry (including the Riegle-Neal Act) in assessing the importance of the issues presented in this case.

As set forth in the Petition, prior to the Riegle-Neal Act, federal and state law severely restricted banks' ability to operate across state lines and, in many cases, even in different parts of the same state. As a result, a

large number of banks in the United States have very similar names. That has two important consequences for this case. First, it means that the issues raised in this case are likely to recur in many other cases involving interstate bank mergers and expansions. Second, if the Third Circuit's reasoning is allowed to stand, it means that many banks will face significant barriers in expanding into new market areas, because they will either be forced to change their names or operate branches under two or more different names. For the reasons stated in the Petition, this would inhibit competition and undercut the results Congress sought to achieve when it adopted the Riegle-Neal Act.

Because the Riegle-Neal Act relates to the importance of the issues now before this Court, not to the substance of the Third Circuit's analysis of trademark law, CFG had no occasion or need to address the Riegle-Neal Act in the lower courts. Accordingly, CNBEC's claim that CFG has somehow "waived" this argument by failing to raise it in the lower courts lacks any merit.

CONCLUSION

For the reasons set forth in the petition for writ of certiorari and above, the petition should be granted.

Respectfully submitted,

JOHN TOWNSEND RICH
MATTHEW M. HOFFMAN
CHRISTOPHER P. NIERMAN
GOODWIN PROCTER LLP
901 New York Ave., N.W.
Washington, DC 20001
(202) 346-4000

PAUL F. WARE, JR., P.C.
(*Counsel of record*)
R. DAVID HOSP
JAREN D. WILCOXSON
MARK S. PUZELLA
GOODWIN PROCTER LLP
Exchange Place
53 State Street
Boston, MA 02109-2881
(617) 570-1000

Counsel for Petitioner

April 11, 2005